

MEMORANDUM



DATE: October 22, 2020
TO: Assembly and Economic Stabilization Task Force
FROM: Jeff Rogers, Finance Director
SUBJECT: CARES Funds for Family Promise Day Shelter

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As I understand, Family Promise proposes to purchase a facility that it would use as office space and as a day shelter for vulnerable families. Family Promise currently operates their office space and a four room overnight shelter for vulnerable families at Chapel by the Lake. Prior to the pandemic, four families occupied those four rooms. In order to increase social distancing with the onset of COVID-19, Family Promise limited its four rooms at Chapel by the Lake to two families—effectively decreasing the amount of sheltering it could provide while also maintaining office space to continue addressing social service and case management needs. In its proposal to purchase a day shelter and office space facility, Family Promise indicates that having access to the new facility would allow it to return to having four families in its four rooms at Chapel by the Lake—effectively increasing the amount of sheltering it can provide.

The question at hand is whether or not the purchase of a facility for day sheltering—which also induces additional sheltering at another facility—is eligible for CARES Act funding. The current US Treasury guidance on the CARES Act lays out three primary principles for eligibility. To be eligible, expenditures must cover costs that:

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

Additionally, the guidance makes only one direct reference to eligible expenditures related to unsheltered populations: “Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.” The US Treasury CARES FAQ does not mention sheltering or unsheltered populations. To date, CBJ has interpreted the guidance to indicate that the cost of sheltering of vulnerable populations between March 1 and December 30 is an eligible expense for CARES Act funds. CBJ has assumed that costs for sheltering are broadly eligible, and staff have not undertaken any specific effort to determine which kinds of sheltering costs are eligible and which are not.

The newest version of the US Treasury CARES FAQ, released October 19, does clarify eligibility of expenditures for the acquisition and improvement of real property. It reads as follows:

May payments from the Fund be used for real property acquisition and improvements and to purchase equipment to address the COVID-19 public health emergency?

The expenses of acquiring or improving real property and of acquiring equipment (e.g., vehicles) may be covered with payments from the Fund in certain cases. For example, Treasury’s initial guidance referenced coverage of the costs of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs, as an eligible use of funds. Any such use must be consistent with the requirements of section 601(d) of the Social Security Act as added by the CARES Act.

As with all uses of payments from the Fund, the use of payments to acquire or improve property is limited to that which is necessary due to the COVID-19 public health emergency. In the context of acquisitions of real estate and acquisitions of equipment, this means that the acquisition itself must be necessary. In particular, a government must

- (i) determine that it is not able to meet the need arising from the public health emergency in a cost-effective manner by leasing property or equipment or by improving property already owned and
- (ii) maintain documentation to support this determination.

Likewise, an improvement, such as the installation of modifications to permit social distancing, would need to be determined to be necessary to address the COVID-19 public health emergency.

Previous guidance regarding the requirement that payments from the Fund may only be used to cover costs that were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020 focused on the acquisition of goods and services and leases of real property and equipment, but the same principles apply to acquisitions and improvements of real property and acquisitions of equipment. Such acquisitions and improvements must be completed and the acquired or improved property or acquisition of equipment be put to use in service of the COVID-19-related use for which it was acquired or improved by December 30. Finally, as with all costs covered with payments from the Fund, such costs must not have been previously accounted for in the budget most recently approved as of March 27, 2020.

The Assembly may choose to endorse the Family Promise request and appropriate CARES Act funds upon a finding that it meets the eligibility criteria above. However, such a decision would not be without risk that this expenditure might be determined ineligible by the State of Alaska or the Federal Government—likely through the single audit process. In that case, if this expenditure were found ineligible, CBJ would be required to repay the ineligible expenditures from general funds. This risk could be shifted to Family Promise through the grant agreement, which could require Family Promise to return the funds if the expenditure is ever determined to be ineligible for CARES Act funding.

If the Assembly does not want to shift the risk onto Family Promise, the Assembly could consider this request as a general fund request for which CBJ will *attempt* to seek CARES reimbursement. If the Family Promise expenditure is eligible for CARES, then it will be funded as such. If it is determined to be ineligible, then principally the Assembly has already determined that it warrants a general fund expenditure anyway.